

August 2005



# North Dakota REV-E-NEWS

## From Pam Sharp, Director Office of Management and Budget 600 E. Blvd. Ave., Dept. 110—Bismarck, ND 58505-0400

In a June 2005 news release, the federal Bureau of Economic analysis reported economic growth in all states as measured by changes in gross state product (GSP). Gross state product is the state counterpart to the nation's gross domestic product (GDP). Gross state product is defined as the value added in production by the labor and property located in a state. GSP serves as a measure of a state's overall economic health.

As we have seen reflected in state tax collections, North Dakota's economy has displayed consistent growth in recent years. As other state's economies were sliding into recession, North Dakota's economy continued to grow. As other state's recovered, North Dakota has been

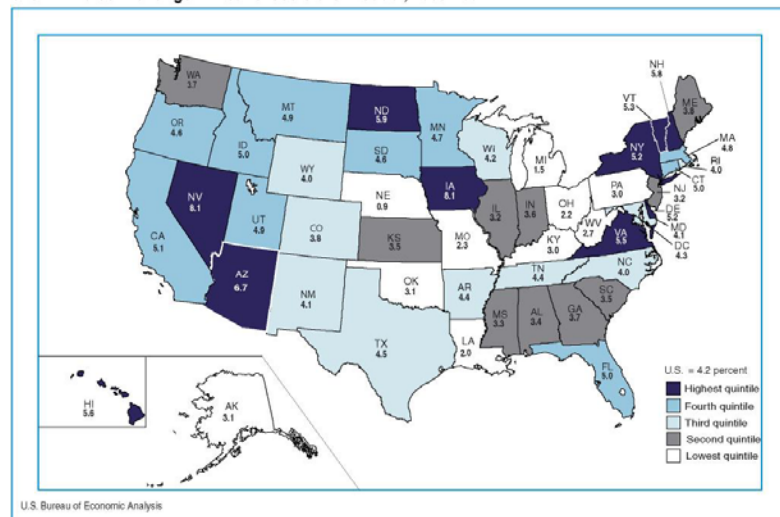
among states leading the nation in economic growth.

The following chart, prepared by the Bureau of Economic Analysis shows North Dakota among the handful of states in the highest quintile of growth in GSP for 2004. North Dakota's growth rate was fourth highest in the nation at 5.9 percent. The only three states enjoying higher growth in GSP were Iowa and Nevada at 8.1 percent, and Arizona at 6.7 percent.

The average percentage change for states in the Plains region was only 4.1 percent. Growth percentage rates for neighboring states were:

Kansas, 3.5; South Dakota, 4.6; Minnesota, 4.7; Wyoming, 4.0; Montana, 4.9; and Nebraska, .9.

Chart 1. Percent Change in Real Gross State Product, 2003-2004



## Oil Activity

Oil production in June rose slightly from the May level of just over 91,000 barrels per day to approximately 92,300 barrels per day. Drilling permit activity increased substantially from 31 permits issued in May to 71 in June. The average price for North Dakota crude

continues to increase. Current prices are over \$60 per barrel; June prices averaged just over \$51 per barrel, and May prices approximately \$44 per barrel. The current rig count is 29, 8 more rigs than were operating one year ago.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2005-07 BIENNIUM**  
**July 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005 Leg. Forecast	Actual	Variance	Percent	March 2005 Leg. Forecast	Actual	Variance	Percent
Sales Tax	19,742,000	24,897,233	5,155,233	26.1%	19,742,000	24,897,233	5,155,233	26.1%
Motor Vehicle Excise Tax	5,214,000	5,665,126	451,126	8.7%	5,214,000	5,665,126	451,126	8.7%
Individual Income Tax	15,897,000	16,869,326	972,326	6.1%	15,897,000	16,869,326	972,326	6.1%
Corporate Income Tax		103,346	103,346	100.0%		103,346	103,346	100.0%
Insurance Premium Tax								
Financial Insitutions Tax		453	453	100.0%		453	453	100.0%
Oil & Gas Production Tax*	3,825,000	6,204,778	2,379,778	62.2%	3,825,000	6,204,778	2,379,778	62.2%
Gaming Tax	300,000	(3,346)	(303,346)	-101.1%	300,000	(3,346)	(303,346)	-101.1%
Lottery								
Interest Income	82,000	324,542	242,542	295.8%	82,000	324,542	242,542	295.8%
Oil Extraction Tax*	2,547,000	2,814,087	267,087	10.5%	2,547,000	2,814,087	267,087	10.5%
Cigarette & Tobacco Tax	1,664,000	1,866,600	202,600	12.2%	1,664,000	1,866,600	202,600	12.2%
Departmental Collections	950,000	1,002,612	52,612	5.5%	950,000	1,002,612	52,612	5.5%
Wholesale Liquor Tax	573,000	615,562	42,562	7.4%	573,000	615,562	42,562	7.4%
Coal Conversion Tax	2,078,000	1,971,840	(106,160)	-5.1%	2,078,000	1,971,840	(106,160)	-5.1%
Mineral Leasing Fees	500,000	785,850	285,850	57.2%	500,000	785,850	285,850	57.2%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	175,000	175,000		0.0%	175,000	175,000	-	0.0%
Other Transfers		2,500	2,500	100.0%		2,500	2,500	100.0%
<b>Total Revenues and Transfers</b>	<b>53,547,000</b>	<b>63,295,508</b>	<b>9,748,508</b>	<b>18.2%</b>	<b>53,547,000</b>	<b>63,295,508</b>	<b>9,748,508</b>	<b>18.2%</b>

**COMPARISON TO PREVIOUS BIENNIUM REVENUES**  
**2005-07 BIENNIUM**  
**July 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	July 2003	July 2005	Variance	Percent	2003-05	2005-07	Variance	Percent
Sales Tax	25,429,150	24,897,233	(531,917)	-2.1%	25,429,150	24,897,233	(531,917)	-2.1%
Motor Vehicle Excise Tax	5,463,206	5,665,126	201,920	3.7%	5,463,206	5,665,126	201,920	3.7%
Individual Income Tax	21,472,896	16,869,326	(4,603,570)	-21.4%	21,472,896	16,869,326	(4,603,570)	-21.4%
Corporate Income Tax	49,082	103,346	54,264	110.6%	49,082	103,346	54,264	110.6%
Insurance Premium Tax								
Financial Insitutions Tax	69,893	453	(69,440)	-99.4%	69,893	453	(69,440)	-99.4%
Oil & Gas Production Tax	2,964,412	6,204,778	3,240,366	109.3%	2,964,412	6,204,778	3,240,366	109.3%
Gaming Tax	159,532	(3,346)	(162,878)	-102.1%	159,532	(3,346)	(162,878)	-102.1%
Lottery								
Interest Income	42,708	324,542	281,834	659.9%	42,708	324,542	281,834	659.9%
Oil Extraction Tax	1,354,977	2,814,087	1,459,110	107.7%	1,354,977	2,814,087	1,459,110	107.7%
Cigarette & Tobacco Tax	1,682,738	1,866,600	183,861	10.9%	1,682,738	1,866,600	183,861	10.9%
Departmental Collections	30,672,071	1,002,612	(29,669,459)	-96.7%	30,672,071	1,002,612	(29,669,459)	-96.7%
Wholesale Liquor Tax	596,267	615,562	19,295	3.2%	596,267	615,562	19,295	3.2%
Coal Conversion Tax	2,008,172	1,971,840	(36,333)	-1.8%	2,008,172	1,971,840	(36,333)	-1.8%
Mineral Leasing Fees	398,832	785,850	387,018	97.0%	398,832	785,850	387,018	97.0%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	174,525	175,000	475	0.3%	174,525	175,000	475	0.3%
Other Transfers		2,500	2,500	100.0%		2,500	2,500	100.0%
<b>Total Revenues and Transfers</b>	<b>92,538,461</b>	<b>63,295,508</b>	<b>(29,242,953)</b>	<b>-31.6%</b>	<b>92,538,461</b>	<b>63,295,508</b>	<b>(29,242,953)</b>	<b>-31.6%</b>

# Revenue Variances

Actual revenues exceeded the recently completed March 2005 legislative revenue forecast by an impressive \$9.7 million, or 18.2 percent.

Sales and use taxes, driven by growth in taxable sales and purchases which is a good measure of the state's economic health, exceeded the forecast by \$5.2 million, or 26.1 percent.

Motor vehicle taxes exceeded the forecast by \$450,000, or 8.7 percent. Individual income tax collections exceeded the forecast by nearly \$1 million, or 6.1 percent.

Oil and gas taxes, driven by record high oil prices, far exceeded the legislative forecast. Production taxes exceeded the projections by \$2.4 million, or 62.2 percent. Extraction taxes exceeded the forecast by over 10 percent.

In comparison to July 2003, revenues were \$29.2 million less in July 2005. The largest factor contributing to this variance was departmental collections. In July 2003, the state received a \$25 million federal fiscal relief payment, which was recorded as departmental collections.

The other significant variance is in individual income tax, which was \$4.6 million less in 2005. This appears to be the result of timing issues.

Comments or Questions?

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